



## Department of Taxation and Finance

### Opening Statement

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**New York State Department of Taxation and Finance**

**Joint Senate & Assembly Budget Hearing**

**February 27, 2025**

Good Morning. I'm Amanda Hiller, Acting Commissioner of the Department of Taxation and Finance. Thank you for this opportunity to discuss Governor Hochul's Executive Budget and the operations of the Tax Department.

As I suspect you know, the national and state economies showed unexpected resilience last year, including slowing inflation and steady job growth. The Division of the Budget is now projecting a significant budget surplus going into Fiscal Year 2026, in large measure due to strong personal income tax receipts. Still, we are facing very real economic and budgetary risks. Nearly half of New York's personal income tax receipts are paid by fewer than 2% of New York's personal income taxpayers. Our economic fortunes are tied to their economic fortunes: when they have a good year, we see strong income tax receipts.

It's too soon to tell how the current turmoil in Washington will play out, but we know that uncertainty itself can impact the economy. We just saw an unexpected spike in the rate of inflation and a drop in consumer confidence, the President is using trade tariffs to advance both economic and non-economic policy objectives, and efforts to reshape federal spending – and the federal government itself – will have consequences for New York that we can't yet predict.

What is certain is that affordability remains an enormous challenge in communities across the state. Governor Hochul has proposed a Fiscal Year 2026 budget that is focused on addressing these challenges. As part of her Affordability Agenda, the Governor's Executive Budget advances several proposals to deliver much-needed tax relief for hard-working New York families.

First, Governor Hochul's Executive Budget would return \$3 billion to New Yorkers in the form of a sales tax rebate. Under this proposal, the Tax Department would deliver rebate payments to 8.6 million households this year, providing much-needed relief to help families meet ever-increasing costs.

The Governor's proposed budget would also cut personal income tax rates for low- and middle-income taxpayers. When fully phased in, the new rates for these taxpayers will be the lowest in nearly 70 years, providing nearly \$1 billion in recurring tax relief to 8.3 million New Yorkers. At the same time, Governor Hochul is proposing to keep the State's top three tax brackets in place for an additional five years, providing consistency and predictability in the tax treatment of these tranches of taxpayers.

The third prong of Governor Hochul's tax relief package is a historic expansion of the Empire State Child Credit. New York has offered a child tax credit for decades, but the credit only covered children ages 4-

16. The Governor and Legislature expanded the credit in 2023 to cover children under the age of four, allowing us to reach nearly 630,000 additional children.

We know that a refundable child tax credit is one of the most effective ways of helping to address the needs of children living in poverty. Building on the recommendations of the Child Poverty Reduction Advisory Council, Governor Hochul is proposing to decouple the state credit from the federal child credit in order to provide significantly greater benefits to even more families. We will be increasing the maximum credit from \$330 to \$500 for children ages 4-16 and to \$1000 for children under age 4. We will also be changing the way the credit phases out at higher income levels and we'll be eliminating the minimum earned income requirement that historically functioned to exclude some of our poorest families. This initiative is a critical step in the State's commitment to cut child poverty in half by 2031.

At the Tax Department, we're working to make these child tax credits – and other valuable tax programs – more readily available to New York taxpayers. I have long been frustrated that low-income taxpayers too often turn to expensive tax preparers to help them claim the refundable credits they are entitled to under this state's tax laws. Exorbitant fees function to discount the value of these credits, diverting these tax expenditures away from the families they are intended to help.

This dynamic is one of the reasons New York jumped at the opportunity to participate in the Direct File pilot program last year. Direct File allows taxpayers to prepare and file their federal tax returns for free. New York was one of four states that partnered with the Internal Revenue Service to pilot parallel direct filing tools for state tax returns. Although the pilot was limited in scope and availability, 14,000 New Yorkers used the state filing app to prepare and submit their state tax returns for free.

This year, Direct File is bigger and better. More New Yorkers are eligible to use Direct File to prepare and file relatively simple federal and state returns. Direct File now supports additional types of income and additional types of tax credits, and the income eligibility limits have expanded to cover single filers with incomes up to \$200,000 and joint filers with incomes up to \$250,000. We launched the Tax Department's mobile-friendly app when the tax filing season began in late January and, to date, thousands of New Yorkers have used it to file their state returns, 83% in under 15 minutes, and with a 97% satisfaction rate.

In addition to Direct File, New York participates in the Free File program, a partnership with tax software providers that allows eligible taxpayers to use tax preparation software for free. For many years we've run a companion Taxpayer Assistance Program where members of Team Tax help eligible New Yorkers use Free File software to prepare and e-file their returns, building skills that taxpayers go on to share with family and friends.

The team that built our Direct File app is part of an army of tax administrators and IT professionals who are re-platforming and modernizing the core IT systems that power the Tax Department. We are now in year four of this five-year project – still on time and on budget – and we're really starting to see the fruits of their labor. We are currently rolling out a new Wage and Withholding System that employers and payroll service providers will use later this spring to file 600,000 first quarter wage and tax withholding reports covering 14 million employee records. This summer we'll be rolling out the new

Real Property System Online (or RPSO), which will replace the outdated software used by assessors across the state with new modern, cloud-based tools that will allow assessors to work more effectively and efficiently. We've been working closely with the property tax assessment community to make sure the new tools will meet their needs and can't wait to see the system go live.

This year, Tax will also be launching Secure Choice, a state-sponsored retirement savings program for New Yorkers whose employers do not offer other retirement savings options. These employers will be required to make Secure Choice available to their employees, allowing those employees to use payroll deductions to save for retirement. We expect to begin on-boarding employers into a limited pilot this June and, assuming all goes well, we'll be rolling out the program to all employers in the Fall.

In addition to these signature projects, Tax is always looking for opportunities to improve our interactions with taxpayers. Many taxpayers engage with us online, including more than seven million Online Services System account holders. We handled more than 2.2 million calls in 2024, with 431,000 taxpayers opting to get a call back instead of hanging on hold. More than 62,000 callers were assisted using interpretation services in 32 different languages, and we're currently working on changes to our integrated voice response menus so we can ascertain taxpayers' preferred language earlier in the process. In these and many other ways, we continue to strive to improve the taxpayer experience.

As I suspect you can tell, I'm incredibly proud of Team Tax and the work we are doing at the Tax Department. I am excited about the initiatives we are pursuing and look forward to working with you to move them forward. I'm happy to take any questions.